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FISCAL IMPACT STATEMENT

LS 6240

BILL NUMBER: SB 15

NOTE PREPARED: Jan 24, 2008

BILL AMENDED: Jan 10, 2008

SUBJECT: Property Tax Credit and Deduction Filing Deadlines.

FIRST AUTHOR: Sen. Meeks

BILL STATUS: As Passed Senate

FIRST SPONSOR: Rep. Crawford

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) *Filing Deadline:* This bill extends the filing deadline for the homestead credit and various property tax deductions from June 11 to October 1.

Property Ownership: The bill provides that a person is entitled to claim a homestead credit or certain property tax deductions if: (1) the person owns the property on October 1 of the year in which the credit or deduction is claimed; or (2) the person is, on October 1 of the year in which the credit or deduction is claimed, buying the property under a contract requiring the person to pay the property taxes on the property.

Auditor's AV Certification: The bill provides that a county auditor may reduce a taxing unit's assessed value that is certified to the Department of Local Government Finance (DLGF) to enable the taxing unit to offset the effects of reduced property tax collections in the immediately succeeding calendar year that are expected to result from homestead credit applications or deduction applications that may be filed for the year after the certification of the assessed value. It specifies that the maximum amount of the reduction (together with certain other reductions allowed under existing law) is 2% of the assessed value of property subject to assessment in the taxing unit. It also requires the county auditor to send a certified statement to the fiscal officer of each political subdivision of the county and to the Department of Local Government Finance that lists adjustments to assessed valuation and other information that are due to processing of homestead credit applications and deduction applications filed after June 10 and before October 1 of a year.

Effective Date: Upon passage.

Explanation of State Expenditures: *PTRC and Homestead Credit:* The state pays Property Tax Replacement Credits (PTRC) in the amount of 60% of school General Fund levies attributable to all property.

The state also pays 20% of the portion of operating levies (including the remaining 40% of the school GF levy) that are attributable to real property and nonbusiness personal property. Homestead credits are paid by the state in the amount of 20% of the net property tax due for qualifying funds on owner-occupied residences.

PTRC and Homestead credits are paid from the Property Tax Replacement Fund. In CY 2009, these payments cannot exceed \$2,028.5 M (there is currently no limit for taxes payable in CY 2010 and after). Under current law, if these payments exceed this limit, PTRC rates for all taxpayers would be proportionately reduced in order to keep total payments within this limit. This bill first becomes effective for taxes payable in CY 2009. If, under this bill, additional taxpayers claim the credit, PTRC rates would be further reduced. The number of additional taxpayers who may file for the credit under this bill is not known.

Explanation of State Revenues: The state levies a tax rate for State Fair and State Forestry. Under this proposal, the revenue allocated to these funds could decrease slightly in CY 2009 and years after if the number of eligible taxpayers increased and the county is allowed to reduce its assessed valuation by 2% to accommodate the late filings. A taxpayer receiving the homestead credit also receives a standard deduction which can be up to a maximum of \$45,000 depending on the year. Assuming that each qualified additional taxpayer receives the \$45,000 standard deduction, the tax base would be reduced by this amount for each taxpayer. As a result, the revenues allocated to State Fair and State Forestry would be reduced by approximately $\$45,000 \times 0.000024$, or \$1.08 for each additional taxpayer.

Explanation of Local Expenditures: (Revised) *Property Ownership:* The bill would change the date of ownership of property from March 1 to October 1 to qualify for the homestead credit or certain property tax deductions. Forty-nine counties as of November 2007 provide additional Homestead credits that are paid with proceeds from a combination of county option income taxes (COIT) and county economic development income taxes (CEDIT). Local homestead credits in CY 2009 could increase if this proposal results in an increase in the number of eligible taxpayers. COIT proceeds that are not used for county homestead credits are distributed to civil taxing units as certified shares. CEDIT proceeds that are the result of the additional rate allowed for homestead credits may only be used for homestead credits.

Explanation of Local Revenues: *Filing Deadline:* Under current law, the deadline for filing an application for most property tax deductions and the homestead credit is June 10th. The taxpayer receives the deductions and/or homestead credit against taxes payable in the following calendar year. This bill would extend the filing deadline from June 10th to September 30th each year, beginning with filings in 2008 that would first affect taxes payable in 2009.

The later deadline would apply to the mortgage, elderly, blind, disabled, disabled veteran, and WWI veteran and spouse deductions, as well as the homestead credit and homestead standard deduction.

The later filing deadlines could affect the timing of the county auditor's certification of net AV to taxing units and the DLGF.

(Revised) *Auditor's AV Certification:* The bill allows a county auditor to reduce a taxing unit's AV certified to DLGF by up to 2% to reflect possible credits and deductions filed after the certification date. There is no fiscal impact if the auditor is able to recertify the AV before DLGF certifies rates and levies for the unit. If the AV is set low and the auditor is unable to recertify the AV, then any additional property tax collections would be used to reduce the following year's levy.

State Agencies Affected: State Fair Board; DNR, Division of Forestry.

Local Agencies Affected: County Auditors.

Information Sources:

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